

Lothbury Property Trust

Fund Description

Lothbury Property Trust is a sub-fund of Lothbury Global Institutional Funds (LGIF), an umbrella unit trust. On 25 March 2014, LGIF was authorised as a Qualifying Investor Alternative Investment Fund.

Lothbury Property Trust as a sub-fund of LGIF is authorised by the Irish Central Bank under section 4 of the Unit Trusts Act, 1990

Fund Objectives

The Fund's investment objective is to provide investors with capital appreciation and secure income returns, through prudent investment in assets across the UK's principal property sectors and geographic regions. It holds property investments which are readily saleable in the open market, with a core portfolio of prime assets to achieve stable returns, combined with active management initiatives to add value and enhance returns. The Fund can own property directly or through holding units in Property Unit Trusts.

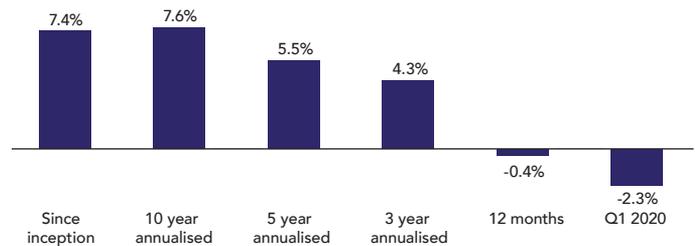
Fund Data

As at 31 March 2020

Net Asset Value	£1,636,445,842.65
Net Asset Value per Unit	£1,914.08
Indicative Subscription Price per Unit	£1,933.22
Indicative Redemption Price per Unit	£1,875.80
Quarterly Distribution per Unit	£15.07

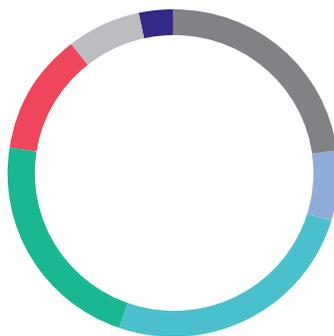
Fund Returns

As at 31 March 2020



Sector Breakdown

As at 31 March 2020



	Lothbury Property Trust (%)
Retail	22.9
Retail Warehouse	6.9
Office	25.7
Industrial	22.1
Living / Alternatives	12.1
Undergoing change of use*	7.1
Cash	3.2

* We have included an additional category 'Undergoing change of use' to the sector weightings. The assets that fall within this category are the Clarendon Shopping Centre in Oxford and Anchor Retail Park in London. These schemes are subject to receiving planning consent.

Note: Total percentages may be slightly higher or lower than 100% due to rounding.

Fund management during the pandemic

The start of 2020 was characterised by a discernible improvement in sentiment in the UK property market, which was principally due to the removal of political uncertainty as a result of the December 2019 General Election. This market improvement was reflected in an increase in occupational demand for vacant space and also a relatively busy investment market.

The 11th of March was the date that the WHO classified the COVID-19 virus as a pandemic and from that point on the situation started to rapidly change, as the virus started to take hold globally. Not only did occupational demand start to slow but also some investment transactions were paused as investors tried to weigh up the implications of the virus. This was particularly evident once the Government had imposed a UK wide lockdown on March 22nd 2020.

Due to the lockdown, many businesses were unable to operate as normal, particularly in the retail, restaurant and hotel sectors. For this reason, there were a minority of tenants in the Lothbury Property Trust portfolio who did not pay their rent on time at the March quarter day and asked for rental concessions. Many of these tenants requested to pay monthly in advance as opposed to quarterly in advance, which was largely accepted by the Fund. There were also requests however, for rent payment holidays and rent payment plans, which have been considered on a case by case basis.

Another ramification of the pandemic on Lothbury Property Trust was the insertion of a material uncertainty clause on the Fund's monthly valuations as at the end of March. Whilst the Fund valuers were confident that their values could be relied on, the clause was there to alert the Fund that they were valuing in a more uncertain environment. In order to ensure maximum accuracy, the Lothbury team worked closely with the independent valuers to ensure that they had accurate and up to date information on which tenants were operational and trading at the valuation date and which rents had been received from tenants at that point.

The lockdown also prevented potential occupiers of vacant space from undertaking site inspections and viewings which has meant that some new letting negotiations were temporarily stalled. In addition, the pandemic also had an effect on the construction projects which the Fund was undertaking in Q1. As most contractors withdrew from the sites at the end of March for a period of 6 -8 weeks, there have been slight delays to the construction programmes of the ongoing schemes. This has been exacerbated by the logistical delays in obtaining raw materials as a result of many of the factories of the suppliers having to close.

From the date of the UK lockdown on the 22nd of March, many of Lothbury Property Trust's properties became largely unoccupied as office workers moved to home working, and retail and hospitality properties closed. To ensure continued security of these properties, additional surveillance measures were put in place, where appropriate, either by additional security patrols or increased CCTV.



Fund Activity



Reed House, Norwich

During Q1 2020, there were two assets sold from the portfolio. The sale of a small retail property at 21-23 Eastgate Street in Chester completed in January at £1.75m and the Fund also completed on the sale of Reed House, a 52,000 sq ft office building at Broadland Business Park in Norwich for £10.6m in March.

Within the retail portfolio, a number of key leases were completed during the quarter. The restaurant unit in Berkhamsted was let to Pizza Express on a 15 year lease at £60,000 pa and at Blackwater Retail Park, Farnborough a letting to M&P Stores Ltd (t/a Mamas & Papas) was signed at a stepped rent rising to approximately £153,000 pa in 12 months.

Whilst there was a marked increased level of activity in terms of viewings and offers on some of the Fund's vacant space during the quarter, this largely evaporated when the COVID-19 pandemic lockdown

was instigated in March, as property viewings unfortunately had to cease.

Within the Active element of the portfolio, planning permission was received in February 2020 for the change of use of the basement at 15/16 Bedford Street in Covent Garden to restaurant use. An Agreement to Lease was also exchanged with a quality restaurant operator, who will occupy the property once the licensing permission is obtained and the building works are completed.

One of the key repercussions of the COVID-19 pandemic on the portfolio has been its effect on the quarterly rent collection levels, as many businesses had been forced to close. At the rent collection date, the Fund received requests from numerous tenants for deferred rent payment plans, monthly rents and in some cases, rental holidays. The team is working through these requests on a case by case basis.

UK Property Market

Q1 2020 started out with early optimism following the UK General Election outcome in Q4 2019, with hopes for economic growth and a favourable outcome of international trade negotiations. Pent-up capital was ready to be deployed and transactions were undertaken in January before the COVID-19 virus became a global pandemic, resulting in most sales being either put on hold or withdrawn entirely.

Despite the drastic fall in investment activity at the end of the quarter, investment volumes for Q1 recorded £12.9bn, which was 7% below the 5-year average. Overseas investors made up a record 68% of total investment volume over the quarter, totalling £8.8bn. Institutional UK investors accounted for £1.1bn, the lowest share in 5 years¹. These numbers, however, are strongly affected by investment in the living sector, specifically, the purchase of iQ student accommodation portfolio at £4.66bn, which was by far the largest UK property transaction since 2000².

Office volume was recorded at £3.92bn in Q1, some way below the 5-year average. Central London office investment volumes totalled just £2.3bn which was 19% below the Q1 10-year average, but in line with 2019 quarterly average of circa £2.5bn³.

The retail sector demonstrated another record low volume of transactions at £0.61bn, reflecting continued negative sentiment and structural changes, amplified by the COVID-19 crisis. 23% of this total was made up in a single shopping centre transaction, the Kings Mall in Hammersmith, London⁴. Unit shop investments fell to their lowest level since the first half of 2000, totalling just over £240m across the UK in the first three months of this year⁵.

Strong demand remained for industrial assets, although a lack of available stock meant transactions were at their lowest level of £821m in 6 years¹.

Latest MSCI data shows that the yields continued outward movement after reaching minimal levels in Q3 2018. IPD retail net initial yield increased by 29bps in Q1, industrial and office yields increased by 4bps and 2bps respectively, relative to Q4 2019⁵.



Sainsbury's, Islington, London

1 UK Investment Transaction Bulletin, Q1 2020, Lambert Smith Hampton

2 United Kingdom Property Snapshot, March 2020, Colliers International

3 Central London office market report, Q1 2020, JLL

4 Shopping Centre and High Street Spotlight, Q1 2020, Savills

5 UK Quarterly Property Index, MSCI

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Data

All fund data as at 31 March 2020, unless stated otherwise.

The views expressed are those of Lothbury Investment Management Limited.

Unit Holder Information

Launch Date

2 February 2000.

Valuation Point*

11.59pm on the last Irish business day of each month.

Prospectus and Trust Deed

Copies of the Prospectus, Trust Deed and Application Form are available from Lothbury Investment Management Limited.

Subscriptions*

Monthly. Applications to be received by the last Irish business day of the month. Following to take place in the first week of the following month. Minimum investment is €100,000.

Redemptions*

Quarterly. Notice to be served ten Irish business days before the last Irish business day in the quarter. The unit holder will be notified of the redemption price. Redemptions paid on the last Irish business day of the following quarter.

Secondary Market Trading

Monthly. No Stamp Duty is payable on the purchase of existing units.

Distributions

Quarterly. On the last Irish business day of April, July, October and January. Charges Investment Management fee of 0.70% per annum.

* Please note that the Fund's calculation of NAV, and thereby subscription and redemptions, were temporarily suspended on 22 May 2020.

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